



IHS Markit™

# Global PMI

Global economic recovery gains momentum in June,  
but job market casts cloud on outlook

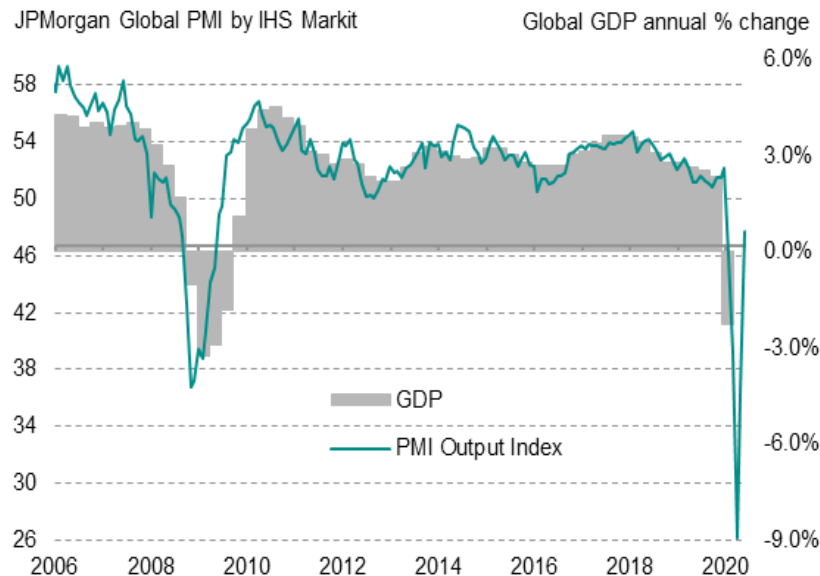
July 13<sup>th</sup> 2020

## Second successive record rise for global PMI as lockdowns ease

The JPMorgan Global PMI™ (compiled by IHS Markit) jumped by a record 11.4 index points in June, building on a prior record increase of just over 10 index points in May to push the index to a five-month high. Despite the rise, at 47.7, the PMI remained below the no-change 50.0 level to indicate a fifth successive monthly deterioration of output across the combined manufacturing and service sectors. However, historical comparisons indicate that a PMI reading of 46.7 is the cut off level between global GDP rising or falling on an annual basis, suggesting that the June surveys were indicative of a very modest return to growth for the global economy.

The rebound in the PMI from its unprecedented low in April has been driven by the loosening of COVID-19 containment measures around the world during both May and June, which has resulted in many non-essential businesses reopening and demand picking up again, albeit from a low base in most cases.

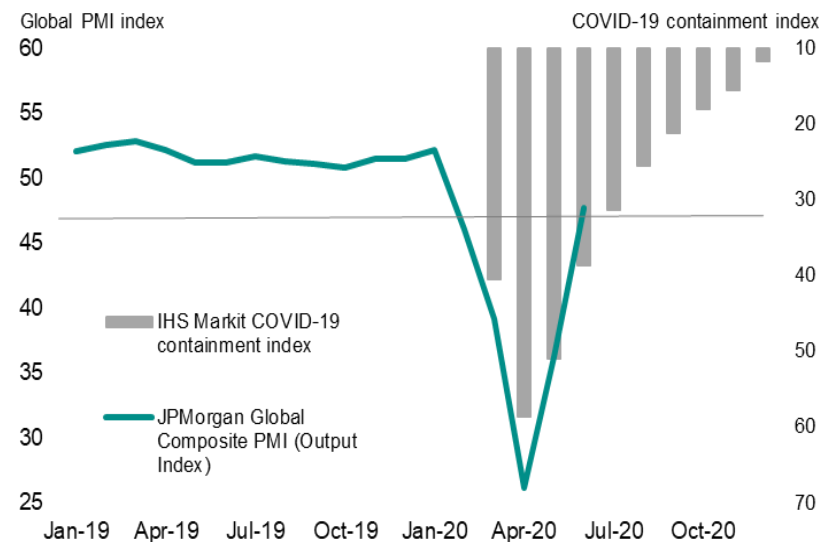
### Global PMI\* output & economic growth



Source: IHS Markit, JPMorgan.

\* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

### Global PMI & COVID-19 containment\*\*



Source: IHS Markit.

\*\*Our Containment Index looks at a basket of measures relating measures applied by governments to control the pandemic, such as non-essential business closures, school closures and travel restrictions.

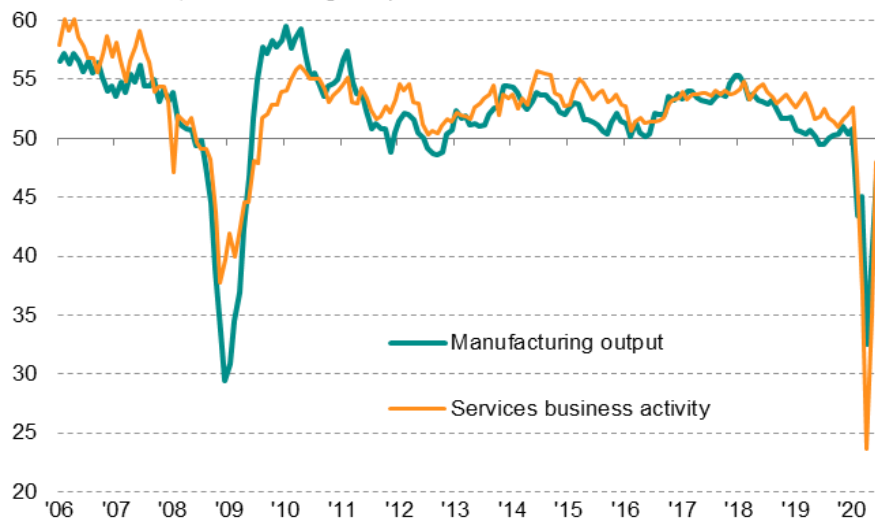
# Banks, real estate and construction lead the rebound

Global PMI output indices rose across all 26 sub-sectors in June. The best performers were largely in line with expectations of an economy emerging from lockdowns. Banking led the upturn as financial transactions grew, followed by real estate and construction materials, reflecting renewed property deals and building sites returning to work.

Food and pharmaceuticals meanwhile continued to outperform, as has been seen throughout much of the pandemic. Not surprisingly, healthcare, food and pharmaceuticals have in fact seen the best overall performances since the pandemic hit in February.

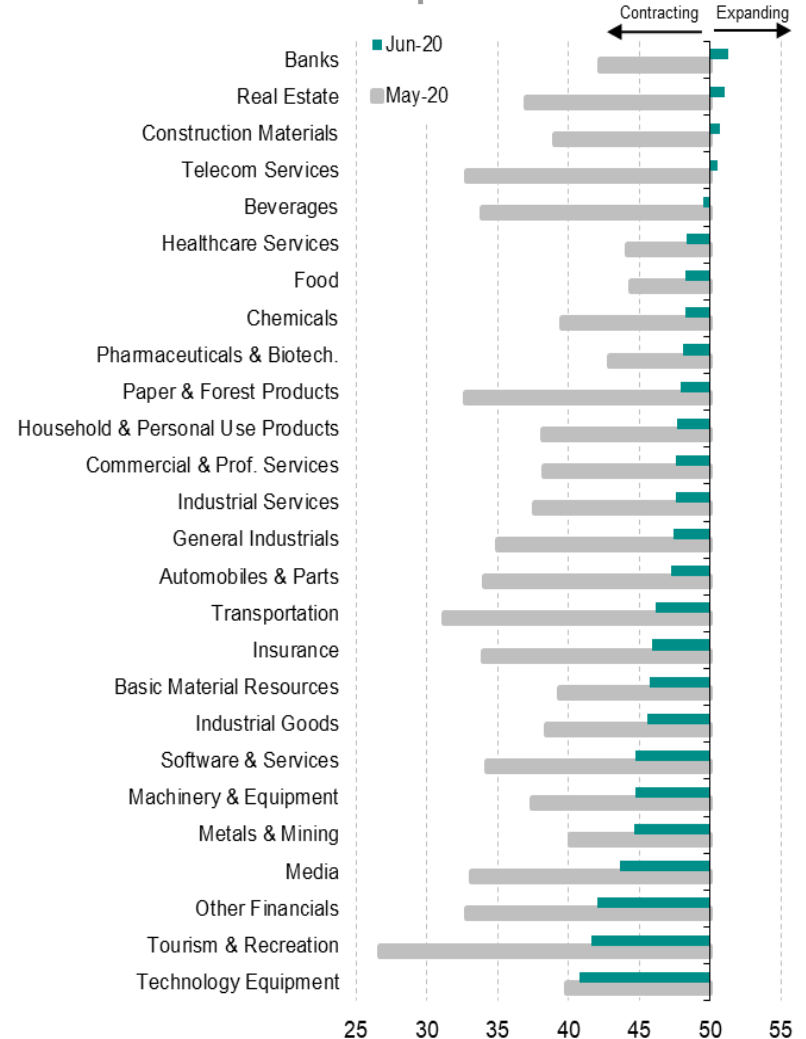
At the other end of the scale, the steepest downturn in June was recorded for tech equipment, tourism and recreation, non-banking financials and media.

Global PMI Index, 50 = no change on prior month



Sources: IHS Markit, JPMorgan.

Global Sector PMI Output Index



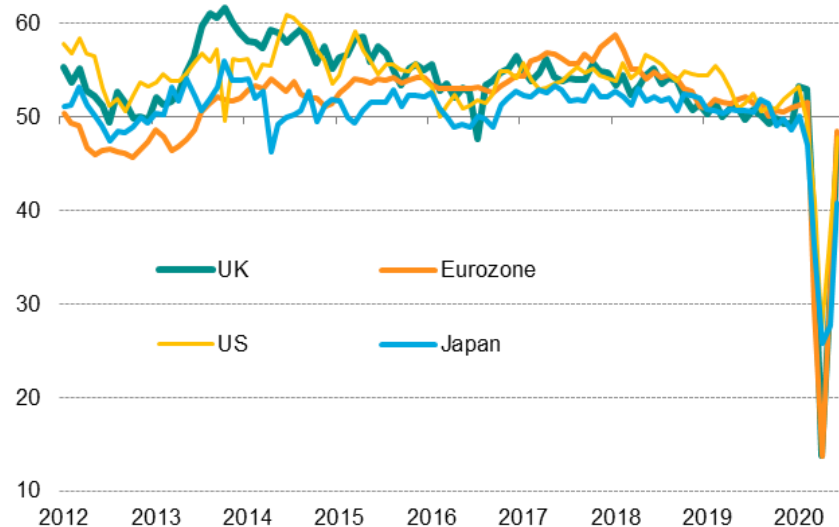
# China leads economic recovery from COVID-19

Almost all of the major developed and emerging economies saw the rate of contraction peak in April with marked improvements in May and June as lockdowns were relaxed. The exception is China, where an earlier lockdown meant the rate of contraction peaked back in February, hence China's earlier lead in the recovery so far. China in fact reported the strongest rise in business activity since November 2010, led by an especially sharp improvement in the service sector which accompanied further manufacturing gains.

At the other end of the scale, the steepest downturns continued to be seen in India, Brazil and Japan. While the persistent economic weakness in India and Brazil could be explained by ongoing virus containment measures, Japan is also likely experiencing weakened demand due to last October's sales tax rise, as well as its high exposure to global trade flows, which continued to deteriorate in June.

## Major developed economies' output

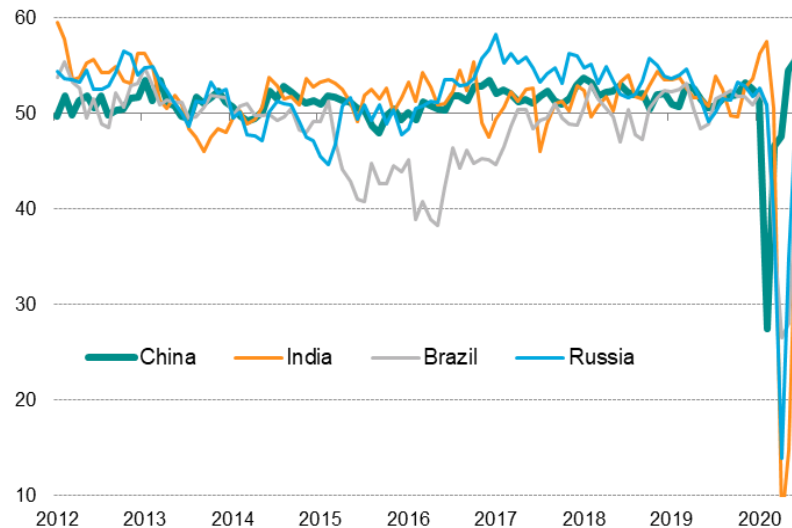
Composite PMI Output/Business Activity Index



Sources: IHS Markit, Caixin, CIPS, au Jibun Bank.

## Major emerging markets' output\*

Composite PMI Output/Business Activity Index



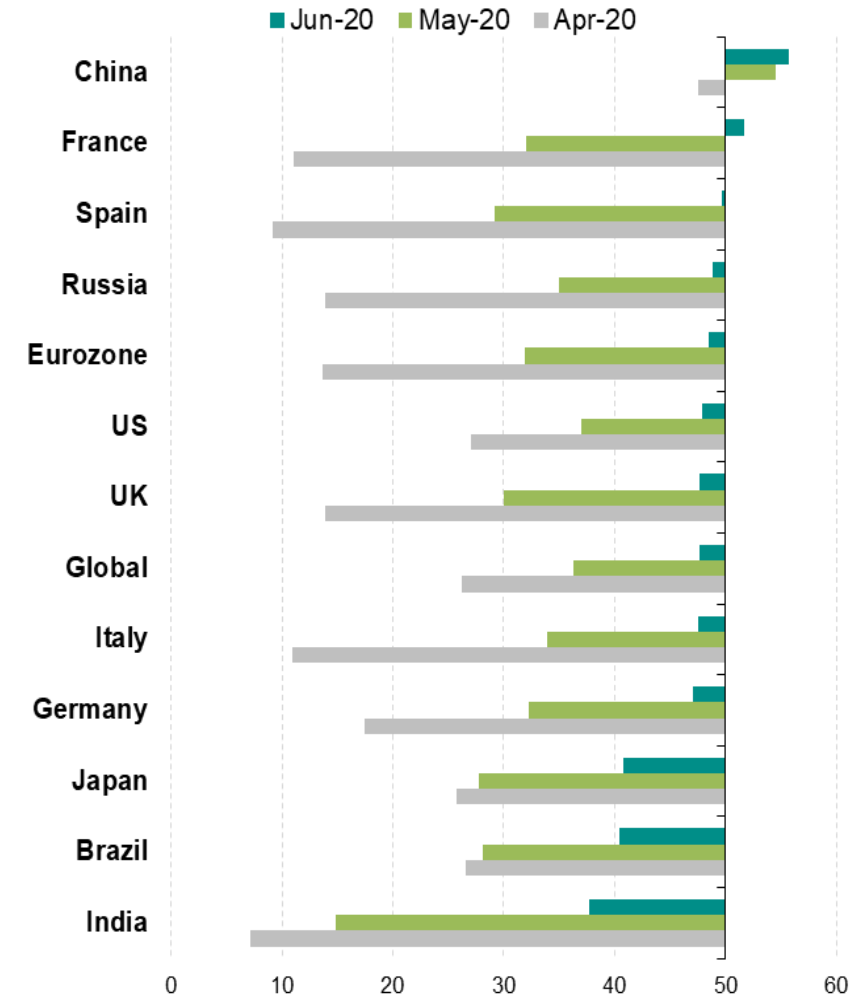
Sources: IHS Markit, Caixin.

# Economic performance and COVID-19 lockdowns compared

In general, the relationship between PMIs and coronavirus containment measures is illustrated by the scatter chart below. China, with the loosest containment measures, enjoyed the highest PMI reading, followed by France. Conversely, Brazil and India fared worst.

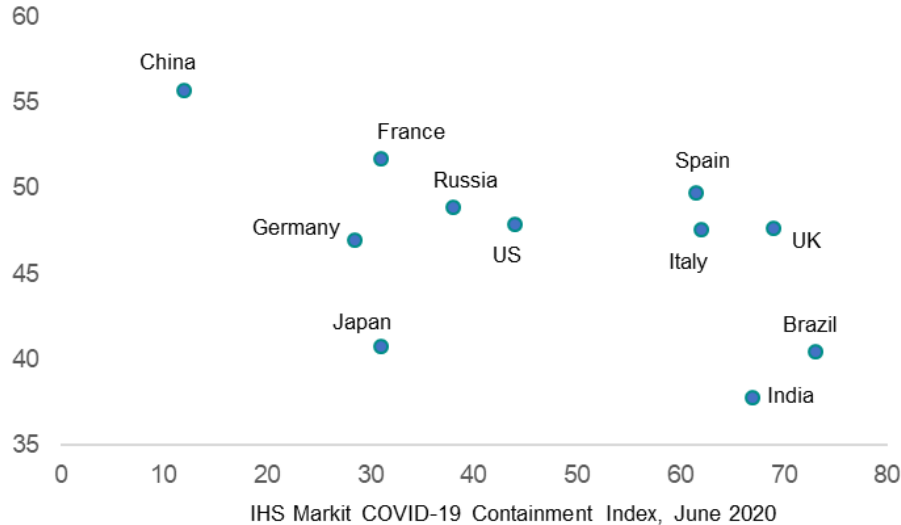
The chart also highlights the anomalies, such as Japan's under-performance, and to some extent the UK's over-performance, relative to containment measures. Countries with high exposure to international trade saw weakened export sectors act as a drag – notably Germany and Japan.

Composite PMI, output index (manufacturing and services)



## PMI output v COVID-19 containment measures

Composite PMI output index, June 2020



Source: IHS Markit.

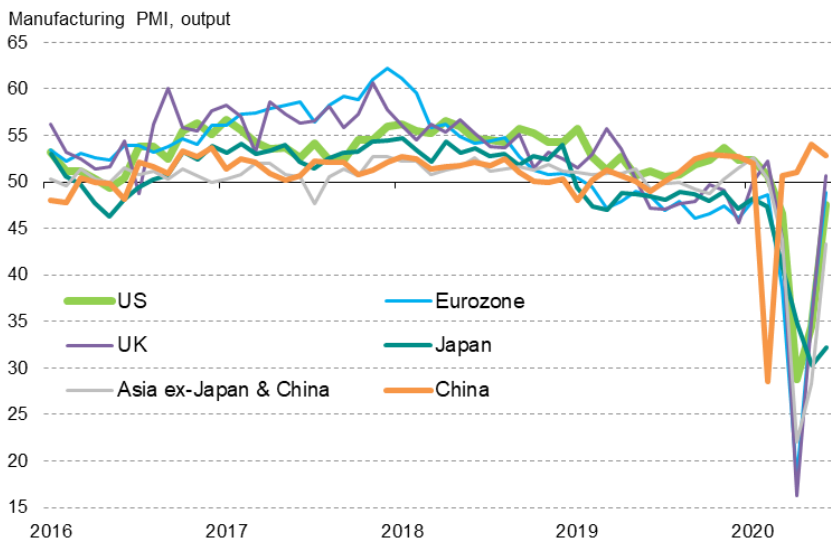
Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.

# France reports fastest factory output growth, Asia ex-China lags

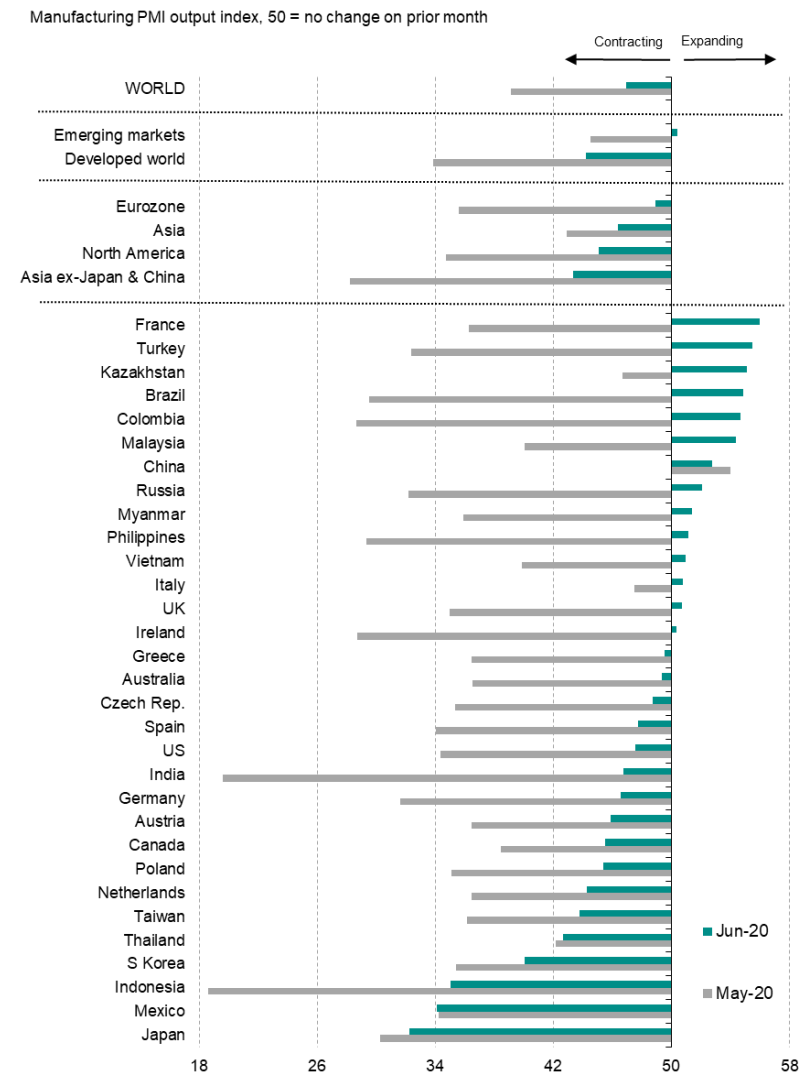
Rising factory production was reported in June across 14 of the 31 countries for which IHS Markit collects manufacturing PMI data, the highest proportion since February and up from just one (China) in both April and May.

France recorded the strongest output gain, followed by Turkey, Kazakhstan, Brazil, Colombia, Malaysia and China. Russia, Myanmar, the Philippines, Vietnam, Italy, the UK and Ireland also reported higher production.

The steepest drop in output was meanwhile seen in Japan, followed by Mexico, Indonesia and South Korea. Five of the six worst performers were located in Asia, causing output growth in Asia (excluding China) to lag far behind the global average.



Sources: IHS Markit, CIPS, au Jibun Bank, Caixin.



Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.

# Prices rise amid supply constraints, but national trends vary

Average manufacturing input prices rose for the first time in three months during June, rising modestly but at the steepest rate since February. Whereas prior months had seen prices fall amid slumping demand due to the pandemic, more than offsetting upward pressure from record supply chain constraints, June saw these forces start to reverse. While the downturn in demand eased markedly, supply shortages remained widespread (albeit below their recent peak), exerting upward pressure on prices.

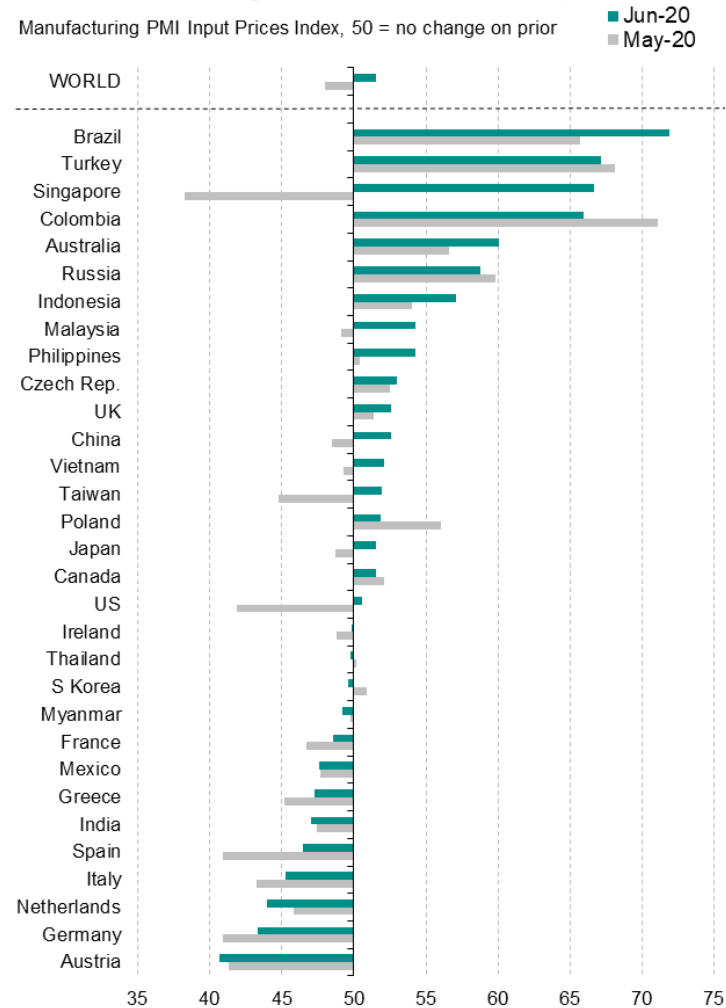
Price trends varied markedly by country, however, with 18 countries reporting higher producer costs (led by Brazil) compared to 13 reporting a decline (many located in the eurozone).

## Global PMI price indicators



Sources: IHS Markit, JPMorgan.

## Manufacturing input prices by country

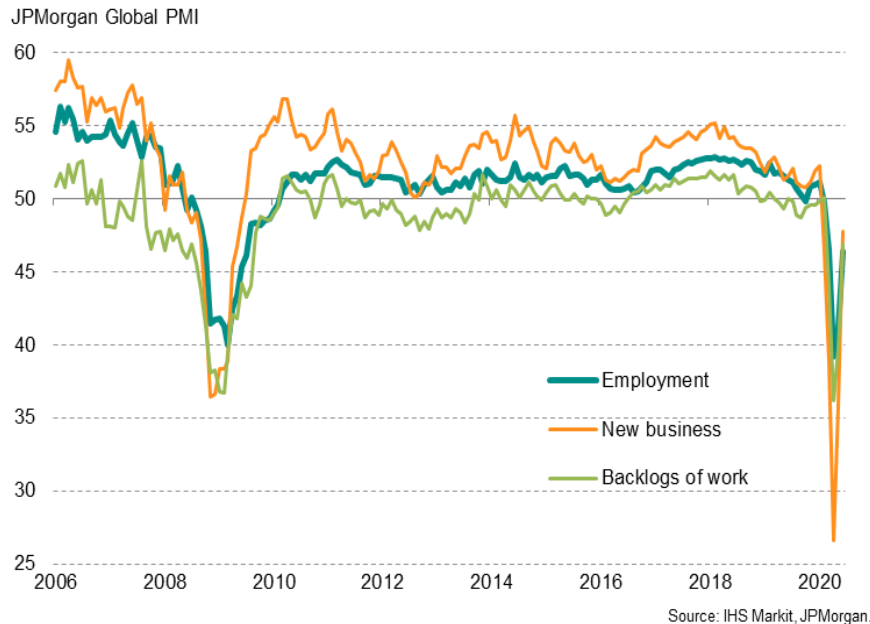


Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.

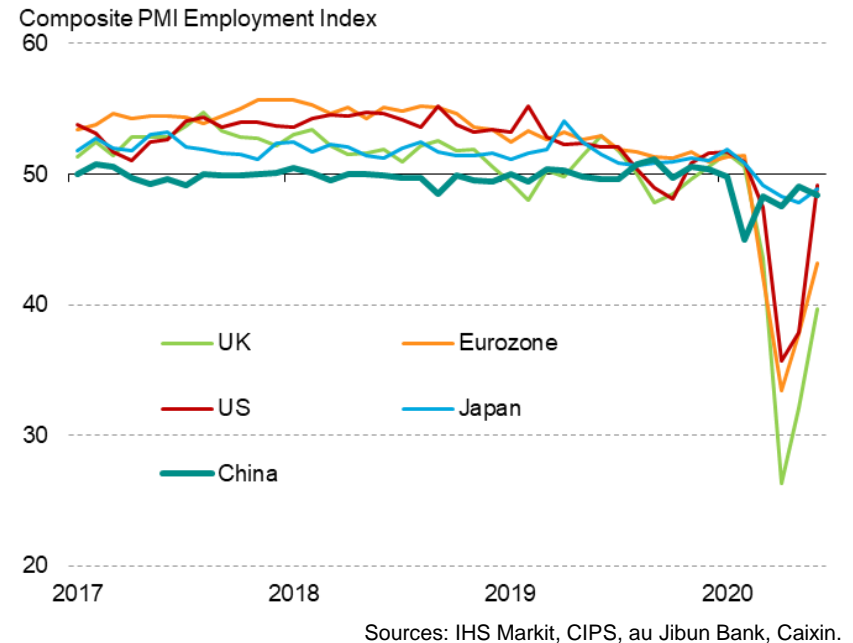
# Job markets and infection rates hold keys to recovery speeds

The strong gains in the PMI data raise the question of whether the global economy is set for a V-shaped recovery. However, while global PMI indicators of new business showed record gains in both manufacturing and services in June, a rebound from enforced closures of non-essential business and household lockdowns was only to be expected. Even with the rebound, the latest global new business index remained below 50, hinting strongly at subdued underlying demand. Broader indicators of global trade from the [manufacturing PMI](#) also showed exports continuing to act as a worrying drag on the global economy, leaving many economies reliant on domestic demand to drive growth. The current demand environment also reflects emergency stimulus measures, notably via employment retention schemes, which have helped provide temporary platforms to support demand and consumption. The big question is therefore whether the demand indicators will continue to improve beyond the initial rebound from the lockdowns, and in particular how employment will hold up when support measures are removed. Signs of a new wave of COVID-19 cases in the US also poses a major risk to the recovery.

## Global PMI indices



## Key economy labour markets





## Podcast recording

You can also listen to a more detailed PMI summary podcast, with accompanying slides, for free.

[Click here to access](#)

## Free trial

For a limited period we are also offering a free 60-day trial to access the full PMI database. [Click here to learn more](#)

## Upcoming data releases

**13<sup>th</sup> July:** Global business outlook survey

**24<sup>th</sup> July:** US, Eurozone, Japan, UK and Australia flash PMIs

**3<sup>rd</sup> August:** Final Global manufacturing PMIs

**5<sup>th</sup> August:** Final Global services PMIs

[Link to calendar](#)

More research at

[www.ihsmarkit.com/research-analysis/pmi.html](http://www.ihsmarkit.com/research-analysis/pmi.html)

## Disclaimer

The information contained in this presentation is confidential. Any unauthorised use, disclosure, reproduction or dissemination, in full or in part, in any media or by any means, without the prior written permission of IHS Markit or any of its affiliates ("Markit") is strictly prohibited.

Opinions, statements, estimates and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of IHS Markit. Neither IHS Markit nor the author(s) has any obligation to update this presentation in the event that any content, opinion, statement, estimate or projection (collectively, "information") changes or subsequently becomes inaccurate.

IHS Markit makes no warranty, expressed or implied, as to the accuracy, completeness or timeliness of any information in this presentation, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided.

The inclusion of a link to an external website by IHS Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). IHS Markit is not responsible for either the content or output of external websites.

Copyright ©2020, IHS Markit Limited. All rights reserved and all intellectual property rights are retained by IHS Markit.